

FINANCIAL AUDIT
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT
OF THE
DEPARTMENT OF MANAGEMENT AND BUDGET

October 1, 1994 through September 30, 1996

EXECUTIVE DIGEST

DEPARTMENT OF MANAGEMENT AND BUDGET

INTRODUCTION	This report contains the results of our financial audit* , including the provisions of the Single Audit Act, of the Department of Management and Budget (DMB) for the period October 1, 1994 through September 30, 1996.
AUDIT PURPOSE	This financial audit of DMB was conducted as part of the constitutional responsibility of the Office of the Auditor General and is required on a biennial basis by Act 251, P.A. 1986, to satisfy the requirements of the Single Audit Act of 1984 and federal Office of Management and Budget Circular A-128, <i>Audits of State and Local Governments</i> .
BACKGROUND	DMB is responsible for providing centralized Statewide services in the areas of budget and financial management, management services, and procurement and information technology. Several offices within DMB provide these services to other departments. The costs of the services are normally recouped through charges to user departments. These offices include the Offices of Financial Management, Financial Information Services, Facilities, Retirement Systems, Support Services, Purchasing, Information Technology, Computing and Telecommunications, Services to the Aging, Drug Control Policy, and the State Employer.

* See glossary on page 74 for definition.

The Office of Services to the Aging (Aging) was created as an autonomous agency within DMB and exercises its powers and functions independent of the director of DMB. Aging administers programs, under the provisions of federal and State guidelines, that support Michigan's older citizens.

Responsibilities for federal assistance program management are shared by Aging, the Office of Administrative Services (OAS), and the Office of Drug Control Policy.

As of September 30, 1996, DMB had 1,615 full-time equated positions, including 45 at Aging. DMB expenditures and operating transfers out totaled approximately the following amounts (in millions):

	<u>Fiscal Year</u>	
	<u>1995-96</u>	<u>1994-95</u>
State Building Authority (SBA)		
Advance Financing Fund	\$ 85	\$ 91
General Fund:		
General Operations	\$ 182	\$ 155
Transfers to the		
Counter-Cyclical Budget and		
Economic Stabilization Fund	\$ 91	\$ 320
Rental payments to SBA	\$ 151	\$ 150
Capital outlay program	\$ 27	\$ 21
Grants to colleges and universities	\$ 1,559	\$ 1,495

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To assess the adequacy of DMB's internal control structure*, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of DMB's internal control structure did not disclose any material weaknesses*. However, our assessment indicated that, during our audit period, DMB was not in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its internal audit functions. We noted that DMB's internal auditor did not report to the DMB director. Further, the internal auditor did not have an audit plan and did not perform all of the functions required of an internal auditor, such as internal control reviews. Reviews of DMB's internal control structure are very important because many of DMB's systems are Statewide systems that affect all State departments. These include systems operated by the budget offices and the Offices of Financial Management, Facilities, Retirement Systems, Support Services, Purchasing, Information Technology, Computing and Telecommunications, and the State Employer. However, after our audit period, DMB hired a new internal auditor who was developing an audit plan. Consequently, we have not included in this audit report an audit finding and recommendation regarding changes in the internal audit function.

In addition, our assessment disclosed other reportable conditions* in DMB's internal control structure in the areas

* See glossary on page 74 for definition.

of user class* combinations, receipts, and controls over compliance (Findings 1 through 3).

Audit Objective: To assess DMB's compliance with both State and federal laws and regulations that could have a material effect on DMB's financial schedules, its financial statements, or any of its major federal financial assistance programs.

Conclusion: Our assessment of compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on DMB's financial schedules, its financial statements, or any of its major federal financial assistance programs.

Audit Objective: To audit DMB's financial schedules and its State Building Authority Advance Financing Fund financial statements for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed unqualified opinions on DMB's financial schedules and statements for the fiscal years ended September 30, 1996 and September 30, 1995. The results of our audit of the financial schedules and statements are further discussed in our independent auditor's reports on the financial schedules and on the financial statements.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the General Fund operations and the financial and other records of the State Building Authority Advance Financing Fund of the Department of Management and Budget for the period October 1, 1994 through September 30, 1996. Our audit was conducted in accordance with generally accepted auditing standards

* See glossary on page 74 for definition.

and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The scope of this audit did not include the separate funds administered by DMB that did not administer any federal financial assistance programs. Those funds, which are audited separately and included in other audit reports, include: the Counter-Cyclical Budget and Economic Stabilization Fund, Vietnam Veterans' Memorial Monument Fund, State Building Authority, Motor Transport Fund, Office Services Revolving Fund, Information Technology Revolving Fund, Risk Management Fund, and the retirement funds administered by the Office of Retirement Systems.

Our audit objective for the assessment of the internal control structure included an evaluation of DMB's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our report included 3 findings and 5 recommendations. DMB's preliminary response indicated that it agreed with all of the findings and has complied or will comply with all of the recommendations.

DMB complied with 8 of the 11 prior audit recommendations included within the scope of our current audit and is in the process of complying with another prior audit recommendation. We repeated the other 2 prior audit recommendations in this report.

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Ms. Janet E. Phipps, Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Ms. Phipps:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Department of Management and Budget for the period October 1, 1994 through September 30, 1996.

This report contains our executive digest; description of agency; audit objectives, audit scope, and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and independent auditor's reports on the internal control structure, on compliance with laws and regulations, on the financial schedules, and on the financial statements. This report also contains the Department of Management and Budget's financial schedules and statements and notes to financial schedules and financial statements; supplemental financial schedules; the schedule of questioned costs and the schedule of immaterial noncompliance, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Agency

The Department of Management and Budget (DMB) was created by the Executive Organization Act of 1965 (Act 380, P.A. 1965). DMB consists of numerous organizational units which perform a broad range of duties.

The Office of Administrative Services (OAS) provides data processing, fiscal management, and personnel services to DMB.

The Office of Services to the Aging (Aging) was created as an autonomous agency within DMB and exercises its powers and functions independent of the director of DMB. Aging administers programs, under the provisions of federal and State guidelines, that support Michigan's older citizens.

The Federal Surplus Property Unit receives and distributes nonfinancial federal assistance in the form of federal surplus property to eligible State and local governmental agencies. The Unit assesses a service fee to participants to cover its operational expenses.

DMB also provides centralized Statewide services in the areas of budget and financial management, management services, and procurement and information technology. The costs of the services are normally recouped through charges to user departments. The budget and financial management services area includes the Offices of Resources and Government Affairs, Education, Health and Human Services, Public Protection and Economic Development, Financial Management, and Financial Information Services. The management services area includes the Offices of Facilities, Retirement Systems, Support Services, and the State Building Authority. The procurement and information technology services area includes the Offices of Purchasing, Information Technology, Computing and Telecommunications, and Michigan Information Network. Other organizational units include Aging and the Offices of Drug Control Policy, the State Employer, and Children's Ombudsman and the Environmental Administration, State Administrative Board, and Crime Victims Compensation Board.

Responsibilities related to federal assistance program management were shared by OAS, Aging, and the Office of Drug Control Policy.

Administrative responsibility for the Office of Drug Control Policy was transferred to the Department of Community Health on May 15, 1996. However, DMB retained responsibility for the accounting for the Office, including the Office's federal programs, through September 30, 1996. Also, administrative responsibility for the Employee Benefits Programs, including the State Sponsored Group Insurance Fund, and the Suggestion Awards Program was transferred to DMB from the Department of Civil Service effective July 29, 1996. The Department of Civil Service retained responsibility for accounting for these programs through September 30, 1996.

As of September 30, 1996, DMB had 1,615 full-time equated positions, including 45 at Aging. DMB expenditures and operating transfers out totaled approximately the following amounts (in millions):

	Fiscal Year	
	1995-96	1994-95
State Building Authority (SBA)		
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Grants to colleges and universities	\$ 1,559	\$ 1,495

Audit Objectives, Audit Scope, and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our financial audit, including the provisions of the Single Audit Act, of the Department of Management and Budget (DMB) had the following objectives:

1. To assess the adequacy of DMB's internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.
2. To assess DMB's compliance with both State and federal laws and regulations that could have a material effect on DMB's financial schedules, its financial statements, or any of its major federal financial assistance programs.
3. To audit DMB's financial schedules and its State Building Authority Advance Financing Fund financial statements for the fiscal years ended September 30, 1996 and September 30, 1995.

Our audit objective for the assessment of the internal control structure included an evaluation of DMB's implementation of the requirements for establishing and maintaining systems of internal accounting and administrative control, as set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws*.

Audit Scope

Our audit scope was to examine the financial and other records of the General Fund operations and the financial and other records of the State Building Authority Advance Financing Fund of the Department of Management and Budget for the period October 1, 1994 through September 30, 1996. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The scope of this audit did not include the separate funds administered by DMB that did not administer any federal financial assistance programs. Those funds, which are audited separately and included in other audit reports, include: the Counter-Cyclical Budget and Economic Stabilization Fund, Vietnam Veterans' Memorial Monument Fund, State Building Authority, Motor Transport Fund, Office Services Revolving Fund, Information Technology Revolving Fund, Risk Management Fund, and the retirement funds administered by the Office of Retirement Systems.

We considered DMB's internal control structure policies and procedures for its federal financial assistance programs and assessed DMB's compliance with federal laws and regulations in accordance with the Single Audit Act of 1984 and federal Office of Management and Budget Circular A-128, *Audits of State and Local Governments*, in addition to generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, we followed up on the prior audit findings and questioned costs* . DMB's major federal financial assistance programs are identified on the schedule of federal financial assistance. We did not report on compliance for nonmajor federal financial assistance programs because no transactions for nonmajor programs were selected in connection with our audit of the financial schedules and our assessment of the internal control structure.

Agency Responses and Prior Audit Follow-Up

Our report included 3 findings and 5 recommendations. DMB's preliminary response indicated that it agreed with all of the findings and has complied with or will comply with all of the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DMB to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

* See glossary on page 74 for definition.

DMB complied with 8 of the 11 prior audit recommendations included within the scope of our current audit and is in the process of complying with another prior audit recommendation. We repeated the other 2 prior audit recommendations in this audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

INTERNAL CONTROL STRUCTURE

COMMENT

Audit Objective: To assess the adequacy of the Department of Management and Budget's (DMB's) internal control structure, including applicable administrative controls related to the management of federal financial assistance programs.

Conclusion: Our assessment of DMB's internal control structure did not disclose any material weaknesses. However, our assessment indicated that, during our audit period, DMB was not in substantial compliance with the requirements set forth in Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* pertaining to its internal audit functions. We noted that DMB's internal auditor did not report to the DMB director. Further, the internal auditor did not have an audit plan and did not perform all of the functions required of an internal auditor, such as internal control reviews. Reviews of DMB's internal control structure are very important because many of DMB's systems are Statewide systems that affect all State departments. These include systems operated by the budget offices and the Offices of Financial Management, Facilities, Retirement Systems, Support Services, Purchasing, Information Technology, Computing and Telecommunications, and the State Employer. However, after our audit period, DMB hired a new internal auditor who was developing an audit plan. Consequently, we have not included in this audit report an audit finding and recommendation regarding changes in the internal audit function.

In addition, our assessment disclosed other reportable conditions in DMB's internal control structure in the areas of user class combinations, receipts, and controls over compliance.

The Michigan Administrative Information Network (MAIN) is the Statewide financial management system implemented in fiscal year 1994-95. Because MAIN is a Statewide system, which all State agencies are required to use, the internal control structure of each agency, including DMB, is affected to varying degrees by MAIN.

Because DMB's internal control structure is affected by this Statewide system, professional auditing standards require our assessment of internal controls in DMB to include elements reviewed in our financial related audit of MAIN for the period October 1, 1994 through April 30, 1996. That audit reported 29 reportable conditions, including 3 material weaknesses, which are more fully explained in our separately issued report dated August 31, 1996.

FINDING

1. User Class Combinations

DMB did not have appropriate control procedures to ensure the assignment of user classes compatible with employees' assigned job responsibilities for access to MAIN (the State's central accounting system). As a result, 16 employees had inappropriate access to various parts of the accounting system.

The MAIN FACS (Financial Administration and Control System) Security Manual requires each agency to maintain effective control over which employees have access to which MAIN functions. In addition, sound internal control procedures require the appropriate segregation of duties performed by employees to achieve effective internal control over the financial records and transactions.

User classes play a critical role in providing internal control over a department's initiation and approval of transactions that affect the accounting records. Our review disclosed that, although DMB appropriately segregated job responsibilities, the assignment of MAIN user classes allowed some employees to have both recording and approval capabilities along with accounting and cashiering functions. Providing employees with the ability to perform functions incompatible with their assigned job duties limits DMB's ability to prevent or detect inappropriate transactions. However, our audit did not disclose any inappropriate transactions that resulted from this weakness in DMB's internal controls.

RECOMMENDATION

We recommend that DMB establish appropriate control procedures to ensure the assignment of user classes compatible with employees' assigned job responsibilities for access to the State's central accounting system.

AGENCY PRELIMINARY RESPONSE

DMB agreed to comply with this recommendation by December 31, 1997. DMB acknowledged that some inappropriate user class assignments were not challenged or covered by an approved exception but felt that adequate compensating controls existed. DMB also believes that internal control procedures will be strengthened by proposed revisions to the MAIN security manual and a user class monitoring process established by DMB. Also, DMB informed us that a comprehensive review and validation process is under way covering user class assignments and access to all data processing systems in DMB.

FINDING

2. Receipts

DMB's internal controls did not ensure that receipts were processed as provided by DMB Administrative Guide procedures 1270.02 and 1210.04:

- a. DMB continued to have only one mail opener. This condition was noted in our prior audit. In response, DMB stated that it did not believe that it was cost effective to have two mail openers because of the amount of money received by the mail clerk. However, we believe that controls are important because DMB deposited approximately \$32 million to \$37 million of checks received in the mail per year during the audit period.

Procedure 1270.02 requires that at least two individuals open mail.

- b. Two of five deposits reviewed were not deposited until two to five business days after being received. Also, the other three deposits reviewed were over \$100,000 each but were not deposited until one to three business days after being received.

Procedure 1210.04 requires receipts to be deposited with the State Treasurer or in a State Treasurer's bank account at a commercial bank by the close of business the following day, or, if more than \$100,000, on the day of receipt.

RECOMMENDATIONS

WE AGAIN RECOMMEND THAT DMB IMPROVE INTERNAL CONTROLS OVER RECEIPTS, AS PROVIDED BY DMB ADMINISTRATIVE GUIDE PROCEDURE 1270.02.

We also recommend that DMB deposit receipts on a timely basis as required by DMB Administrative Guide procedure 1210.04.

AGENCY PRELIMINARY RESPONSE

DMB informed us that it would request exemption from the requirement that at least two individuals open mail. DMB explained that it receives less than \$1,000 per month in currency and coins and that most receipts are in the form of checks as a result of billings being issued or other receivable functions.

DMB also informed us that it has complied with the requirement for timely deposits. DMB explained that the delays were because of extenuating circumstances related to initial transactions recorded on the State's new accounting system.

FINDING

3. Controls Over Compliance

DMB's internal control structure did not ensure that it complied with appropriations act requirements for interest reimbursements. DMB collects interest from a university-owned hospital related to rental payments made by DMB to the State Building Authority (SBA) for bonds issued to finance the hospital. In addition to improving its internal control structure, DMB needs to amend its agreement with the hospital that requires the hospital to forward to the State the Medicaid and Medicare interest reimbursements related to the SBA bonds. Our review disclosed:

- a. The hospital did not reimburse DMB for interest collected from third party providers other than Medicare and Medicaid (e.g., insurance companies). This was in accordance with DMB's agreement with the hospital. However, DMB's appropriations act provides for reimbursement from "third party providers" rather than just the Medicaid and Medicare programs. We pointed out this difference in our prior two audits, and DMB indicated that it would

seek a change in the wording of the boilerplate; however, the boilerplate language had not been changed.

- b. DMB needs to amend its agreement with the hospital for obtaining Medicaid and Medicare interest reimbursement to comply with appropriations act requirements. Interest reimbursements declined substantially over the last few years. A major cause of the decline is that Medicaid moved approximately 300,000 patients to health maintenance organizations (HMO's). Because the hospital does not include SBA interest in its Medicaid billing rates for HMO's, DMB no longer receives reimbursement of the SBA interest for these Medicaid patients as required by the appropriations acts. DMB expects that another 500,000 Medicaid patients will move to HMO's by fiscal year 1997-98. The agreement between DMB and the hospital provides for the amendment of the agreement when Medicare or Medicaid principles of reimbursement change.

RECOMMENDATIONS

WE AGAIN RECOMMEND THAT DMB IMPROVE ITS INTERNAL CONTROL STRUCTURE TO ENSURE THAT THE HOSPITAL FULLY COMPLIES WITH THE APPROPRIATIONS ACT REQUIREMENT TO REIMBURSE THE STATE FOR INTEREST REIMBURSEMENTS FROM THIRD PARTY PROVIDERS.

We also recommend that DMB renegotiate the agreement with the hospital to include SBA interest in the hospital's rates for HMO's.

AGENCY PRELIMINARY RESPONSE

DMB agreed with these recommendations. DMB informed us that the boilerplate language has been revised for fiscal year 1997-98. DMB also informed us that it will revise its agreement with the hospital by December 31, 1997 to recognize that HMO's will not be required to reimburse the hospital for capital costs including interest. DMB explained that competition made it impossible for the hospital to include capital costs in its rates.

COMPLIANCE WITH LAWS AND REGULATIONS

COMMENT

Audit Objective: To assess DMB's compliance with both State and federal laws and regulations that could have a material effect on DMB's financial schedules, its financial statements, or any of its major federal financial assistance programs.

Conclusion: Our assessment of compliance with laws and regulations did not disclose any instances of noncompliance that could have a material effect on DMB's financial schedules, its financial statements, or any of its major federal financial assistance programs.

FINANCIAL ACCOUNTING AND REPORTING

COMMENT

Audit Objective: To audit DMB's financial schedules and its State Building Authority Advance Financing Fund financial statements for the fiscal years ended September 30, 1996 and September 30, 1995.

Conclusion: We expressed unqualified opinions on DMB's financial schedules and statements for the fiscal years ended September 30, 1996 and September 30, 1995. The results of our audit of the financial schedules and statements are further discussed in our independent auditor's reports on the financial schedules and on the financial statements.

Independent Auditor's Report on
the Internal Control Structure

April 10, 1997

Mr. Mark A. Murray, Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Mr. Murray:

We have audited the General Fund financial schedules and the State Building Authority Advance Financing Fund financial statements of the Department of Management and Budget as of and for the fiscal years ended September 30, 1996 and September 30, 1995 and have issued our report thereon dated April 10, 1997. We have also audited the Department of Management and Budget's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated April 10, 1997.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audits to obtain reasonable assurance about whether the financial schedules and statements are free of material misstatement and about whether the Department complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the fiscal years ended September 30, 1996 and September 30, 1995, we considered the Department's internal control structure and internal control elements reviewed as part of our financial related audit of the Michigan Administrative Information Network in order to determine our auditing procedures for the purpose of expressing our opinions on the Department's financial schedules and statements and not to provide assurance on the internal control structure. The Michigan Administrative Information Network is the Statewide financial management system implemented in fiscal year 1994-95 and, as such, affects the Department's internal control structure. We also considered the Department's internal

control structure in order to determine our auditing procedures for the purpose of expressing our opinion on its compliance with requirements applicable to major federal financial assistance programs, and to report on the internal control structure in accordance with OMB Circular A-128.

The management of the Department of Management and Budget is responsible for establishing and maintaining an internal control structure, which operates in conjunction with the Statewide internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules and statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures, including those used in administering federal financial assistance programs, in the following categories:

Accounting Controls

- Nonpayroll expenditures
- Revenue
- Capital outlay
- Spending authorizations, transfers, and encumbrances
- Payroll expenditures
- Administration of federal financial assistance

Administrative Controls

- General requirements:
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements

Specific requirements:

- Types of services allowed or unallowed
- Eligibility
- Matching, level of effort, and/or earmarking
- Special reporting requirements
- Special tests and provisions
- Subrecipient monitoring

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the fiscal years ended September 30, 1996 and September 30, 1995, the Department of Management and Budget expended 98% and 97%, respectively, of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Department's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and statements or to administer federal financial assistance programs in accordance with applicable laws and regulations. The reportable conditions are more fully described in Findings 1 through 3.

Also, our financial related audit of the Michigan Administrative Information Network for the period October 1, 1994 through April 30, 1996 noted 29 reportable conditions on the internal control structure which are more fully explained in our separately issued report on the Michigan Administrative Information Network dated August 31, 1996. All State agencies are required to use the Michigan Administrative Information Network, so these reportable conditions affected the Department's internal control structure.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial schedules and statements being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures, including those used in administering federal financial assistance programs, would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the departmental reportable conditions described above is a material weakness. Three of the 29 reportable conditions identified in our financial related audit of the Michigan Administrative Information Network were material weaknesses. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audits of the Department of Management and Budget's financial schedules and statements and of its compliance with requirements applicable to its major federal financial assistance programs for the fiscal years ended September 30, 1996 and September 30, 1995, and this report on the internal control structure does not affect our reports thereon dated April 10, 1997.

This report is intended for the information of management and the Legislature. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on
Compliance With Laws and Regulations

April 10, 1997

Mr. Mark A. Murray, Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Mr. Murray:

We have audited the General Fund financial schedules and the State Building Authority Advance Financing Fund financial statements of the Department of Management and Budget as of and for the fiscal years ended September 30, 1996 and September 30, 1995 and have issued our reports thereon dated April 10, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules and statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Department of Management and Budget is the responsibility of the Department's management. As part of obtaining reasonable assurance about whether the financial schedules and statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial schedules and statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Department of Management and Budget complied, in all material respects, with the provisions referred to in the previous paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Department had not complied, in all material respects, with those provisions.

We have also audited the Department's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or

earmarking; reporting; special tests or provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the fiscal years ended September 30, 1996 and September 30, 1995. The management of the Department is responsible for the Department's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the previous paragraph occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of questioned costs and the accompanying schedule of immaterial noncompliance. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Department of Management and Budget complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests or provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the fiscal years ended September 30, 1996 and September 30, 1995.

We have applied procedures to test the Department's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the fiscal years ended September 30, 1996 and September 30, 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Our procedures for testing compliance with the general requirements were limited to the applicable procedures described in OMB's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures for testing compliance with the general requirements, which are described in the previous paragraph, were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Department's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second previous paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Department of Management and Budget had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described the accompanying schedule of questioned costs and the accompanying schedule of immaterial noncompliance.

This report is intended for the information of management and the Legislature. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on
the Financial Schedules

April 10, 1997

Mr. Mark A. Murray, Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Mr. Murray:

We have audited the accompanying schedule of General Fund revenues and operating transfers and the schedule of General Fund sources and disposition of authorizations of the Department of Management and Budget for the fiscal years ended September 30, 1996 and September 30, 1995. These financial schedules are the responsibility of the Department of Management and Budget management. Our responsibility is to express an opinion on these financial schedules based on our audit. The governmental operations of the Department are accounted for principally in the General Fund of the State of Michigan.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1d and e, the accompanying financial schedules include only the revenues and operating transfers and the sources and disposition of authorizations for the Department's General Fund accounts, presented on the modified accrual basis of accounting. Accordingly, these financial schedules are not intended to constitute a complete financial presentation of either the Department or the State's General Fund in accordance with generally accepted accounting principles.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the revenues and operating transfers and the sources and disposition of authorizations of the Department of Management and Budget for the fiscal years ended September 30, 1996 and September 30, 1995 on the basis of accounting described in Note 1d and e.

Our audit was made for the purpose of forming an opinion on the Department's financial schedules. The accompanying supplemental financial schedules, consisting of the schedules of General Fund revenues and operating transfers by agency, schedules of General Fund sources and disposition of authorizations by agency, schedules of General Fund assets by agency, schedules of General Fund liabilities by agency, and the schedule of federal financial assistance, are presented for purposes of additional analysis and are not a required part of the Department's financial schedules referred to in the first paragraph. The information in the supplemental financial schedules has been subjected to the auditing procedures applied in the audit of the Department's financial schedules and, in our opinion, is fairly stated in all material respects in relation to the Department's financial schedules.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 10, 1997 on our consideration of the Department of Management and Budget's internal control structure and a report dated April 10, 1997 on its compliance with laws and regulations.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Independent Auditor's Report on
the Financial Statements

April 10, 1997

Mr. Mark A. Murray, Director
Department of Management and Budget
Lewis Cass Building
Lansing, Michigan

Dear Mr. Murray:

We have audited the accompanying balance sheet of the State Building Authority Advance Financing Fund, Department of Management and Budget, as of September 30, 1996 and September 30, 1995 and the related statement of revenues, expenditures, and changes in fund balance for the fiscal years then ended. These financial statements are the responsibility of the Department of Management and Budget management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1d and e, the accompanying financial statements present only the State Building Authority Advance Financing Fund and are not intended to present fairly the financial position and results of operations of the State of Michigan or its capital projects funds.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State Building Authority Advance Financing Fund as of September 30, 1996 and September 30, 1995 and the results of its operations for the fiscal years then ended on the basis of accounting described in Note 1d and e.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 10, 1997 on our consideration of the Department of Management and Budget's internal control structure and a report dated April 10, 1997 on its compliance with laws and regulations.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Revenues and Operating Transfers
Fiscal Years Ended September 30
(In Thousands)

	<u>1996</u>	<u>1995</u>
REVENUES		
Federal agencies	\$ 60,686	\$ 58,405
Local agencies:		
Third party reimbursement of interest costs	3,425	4,203
Other	33	29
Services	2,305	1,896
Miscellaneous:		
Court fines, fees, and assessments	3,881	3,883
State agencies' office rentals	11,613	9,807
Other miscellaneous (Note 6)	<u>17,552</u>	<u>19,566</u>
Total	<u>\$ 99,495</u>	<u>\$ 97,789</u>
OPERATING TRANSFERS		
Operating transfers from other funds (Notes 3 and 6)	<u>\$ 12,857</u>	<u>\$ 101,198</u>
Total Operating Transfers	<u>\$ 12,857</u>	<u>\$ 101,198</u>
Total Revenues and Operating Transfers	<u><u>\$ 112,353</u></u>	<u><u>\$ 198,987</u></u>

The accompanying notes are an integral part of the financial schedules.

DEPARTMENT OF MANAGEMENT AND BUDGET
 Schedule of General Fund Sources and Disposition of Authorizations
Fiscal Year Ended September 30, 1996
 (In Thousands)

SOURCES OF AUTHORIZATIONS

General purpose appropriations	\$ 1,915,857
Budgetary transfers in (out)	4,007
Balances carried forward	119,950
Restricted financing sources	177,957
Less: Intrafund expenditure reimbursements	<u>(75,703)</u>
Total	<u><u>\$ 2,142,068</u></u>

DISPOSITION OF AUTHORIZATIONS

College and university operating grants (Note 4)	\$ 1,559,138
Expenditures and operating transfers out	526,610
Less: Intrafund expenditure reimbursements	(75,703)
Balances carried forward:	
Multi-year project balances	64,672
Encumbrances	7,050
Restricted revenue - authorized	6
Restricted revenue - not authorized	39,226
Balances lapsed	<u>21,069</u>
Total	<u><u>\$ 2,142,068</u></u>

The accompanying notes are an integral part of the financial schedules.

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Sources and Disposition of Authorizations
Fiscal Year Ended September 30, 1995
(In Thousands)

SOURCES OF AUTHORIZATIONS

General purpose appropriations	\$ 2,063,578
Balances carried forward	96,878
Restricted revenue and operating transfers in	106,052
Budgetary transfers in (out)	<u>141</u>
Total	<u><u>\$ 2,266,649</u></u>

DISPOSITION OF AUTHORIZATIONS

College and university operating grants (Note 4)	\$ 1,494,921
Expenditures and operating transfers out	646,352
Balances carried forward	116,687
Balances lapsed	8,760
Overexpended	<u>(71)</u>
Total	<u><u>\$ 2,266,649</u></u>

The accompanying notes are an integral part of the financial schedules.

STATE BUILDING AUTHORITY ADVANCE FINANCING FUND
Department of Management and Budget
Balance Sheet
As of September 30
(In Thousands)

	<u>1996</u>	<u>1995</u>
ASSETS		
Current Assets:		
Amounts due from other funds	\$ 72,592	\$ 44,442
Amounts due from component units	1,132	168
Amounts due from local units	25,144	13,806
Other current assets	<u>1,693</u>	<u>338</u>
Total Current Assets	<u>\$ 100,561</u>	<u>\$ 58,753</u>
Total Assets	<u><u>\$ 100,561</u></u>	<u><u>\$ 58,753</u></u>
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Warrants outstanding	\$ 4,988	\$ 1
Accounts payable and other liabilities	108,839	51,843
Amounts due to other funds (Note 1e)	104,871	82,618
Amounts due to component units	9,415	8,131
Deferred revenue	<u>702</u>	<u>731</u>
Total Current Liabilities	<u>\$ 228,816</u>	<u>\$ 143,324</u>
Total Liabilities	<u>\$ 228,816</u>	<u>\$ 143,324</u>
Fund Balances:		
Unreserved	<u>\$ (128,255)</u>	<u>\$ (84,570)</u>
Total Fund Balances	<u>\$ (128,255)</u>	<u>\$ (84,570)</u>
Total Liabilities and Fund Balances	<u><u>\$ 100,561</u></u>	<u><u>\$ 58,753</u></u>

The accompanying notes are an integral part of the financial statements.

STATE BUILDING AUTHORITY ADVANCE FINANCING FUND
Department of Management and Budget
Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Years Ended September 30
(In Thousands)

	<u>1996</u>	<u>1995</u>
REVENUES		
Miscellaneous (Note 2)	\$ 20,899	\$ 679
Total Revenues	<u>\$ 20,899</u>	<u>\$ 679</u>
EXPENDITURES (Note 5)		
Current:		
Education	\$ 32,789	\$ 25,135
Capital outlay	<u>48,591</u>	<u>66,265</u>
Total Expenditures	<u>\$ 81,380</u>	<u>\$ 91,400</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (60,481)</u>	<u>\$ (90,721)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers from other funds	\$ 20,580	\$ 20,441
Operating transfers to other funds	<u>(3,783)</u>	<u></u>
Total Other Financing Sources (Uses)	<u>\$ 16,797</u>	<u>\$ 20,441</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (43,685)	\$ (70,280)
Fund Balances - Beginning of fiscal year	<u>(84,570)</u>	<u>(14,291)</u>
Fund Balances - End of fiscal year	<u><u>\$ (128,255)</u></u>	<u><u>\$ (84,570)</u></u>

The accompanying notes are an integral part of the financial statements.

Notes to Financial Schedules and Financial Statements

Note 1 Significant Accounting Policies

a. Reporting Entity - Financial Schedules

The accompanying financial schedules report the results of the governmental operations of the Department of Management and Budget (DMB) for the fiscal years ended September 30, 1996 and September 30, 1995. The governmental operations of DMB are accounted for principally in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. The financial schedules do not include the financial activities of the State Building Authority Advance Financing Fund, which are reflected in the accompanying financial statements. Also, the financial schedules do not include several other financial activities that are accounted for in various special revenue, capital projects, internal service, and trust funds of the State that are audited separately and do not contain any federal financial assistance administered by DMB. Those funds include the Counter-Cyclical Budget and Economic Stabilization Fund, Vietnam Veterans' Memorial Monument Fund, State Building Authority, Motor Transport Fund, Office Services Revolving Fund, Information Technology Revolving Fund, Risk Management Fund, and the retirement funds administered by the Office of Retirement Systems.

b. Reporting Entity - Financial Statements

The accompanying financial statements report the financial position and results of operations of the State Building Authority Advance Financing Fund, Department of Management and Budget, for the fiscal years ended September 30, 1996 and September 30, 1995. The State Building Authority Advance Financing Fund is a part of the State of Michigan's reporting entity and is reported on in the *SOMCAFR* as a capital projects fund.

c. Footnotes

These footnotes relate directly to the DMB financial schedules and the State Building Authority Advance Financing Fund financial statements. The *SOMCAFR* provides more extensive general disclosures regarding the State's Summary of Significant Accounting Policies, Budgeting and Budgetary Control, Treasurer's Common Cash, Pension Benefits and Other Postemployment Benefits, Compensated Absences, Leases, and Contingencies and Commitments.

d. Basis of Presentation

The accompanying financial schedules include only the revenues and operating transfers and the sources and disposition of authorizations for DMB's General Fund accounts. The accompanying financial statements present only the State Building Authority Advance Financing Fund. Accordingly, these financial schedules and statements are not intended to constitute a complete financial presentation of DMB, the State's General Fund, or the State's capital projects funds in accordance with generally accepted accounting principles.

e. Basis of Accounting

The financial schedules and statements contained in this report are prepared on the modified accrual basis of accounting, as provided by generally accepted accounting principles for governmental funds. The modified accrual basis of accounting, which emphasizes the measurement of current financial resource flows, is explained in more detail in the *SOMCAFR*.

The State Building Authority Advance Financing Fund was established to account for expenditures incurred for buildings for State projects and higher education and for equipment prior to the issuance of State Building Authority (SBA) bonds. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to SBA projects are recorded in the State Building Authority Advance Financing Fund. At year-end, any deficit in the State Building Authority Advance Financing Fund's portion of the common cash pool is reclassified as an interfund liability to the General Fund.

SBA is not legally obligated for these projects until it sells bonds or commercial paper to finance the project. Therefore, SBA records no liability for the project costs and the State Building Authority Advance Financing Fund records no receivable for the unreimbursed project costs. This results in the Fund showing a year-end fund balance deficit. SBA will reimburse this Fund by recording an operating transfer and the deficit attributable to the bonded projects will be eliminated when SBA issues its bonds or obtains commercial paper.

Note 2 Asset Transfer

For fiscal year 1995-96, DMB transferred responsibility for accounting for certain data processing functions from the General Fund to the Information Technology Revolving Fund. Accordingly, data processing equipment that had been financed by the State Building Authority Advance Financing Fund was also transferred. A \$20.3 million reimbursement for this equipment from the Information Technology Revolving Fund was recorded as revenue in fiscal year 1995-96 by the State Building Authority Advance Financing Fund.

Note 3 Operating Transfer Changes

DMB recorded an operating transfer of \$90.4 million in fiscal year 1994-95 from the Counter-Cyclical Budget and Economic Stabilization Fund. This transfer was recorded to fund a lawsuit settlement paid by the Department of Natural Resources.

Note 4 Schedule of Sources and Disposition of Authorizations

The format of this schedule was changed for fiscal year 1995-96 to more closely match the presentation in the *SOMCAFR*. The elements of the sources and disposition of authorizations for fiscal year 1995-96 were defined as follows:

- a. General purpose appropriations: Original appropriation and any supplemental appropriations that are financed by General Fund/general purpose appropriations.
- b. Budgetary transfers in (out): Legislatively approved transfers of spending authorization between accounts of DMB or between departments. These

- c. also include administrative transfers, such as entries to complete the financial closing of the State's fiscal year, that are approved by the DMB Office of Financial Management.
- d. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenues - authorized, and restricted revenues - not authorized that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry forward without additional legislative authorization, except for the restricted revenue - not authorized.
- e. Restricted financing sources: Collections of restricted revenues, restricted operating transfers, and restricted intrafund expenditure reimbursements to finance department programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenue - authorized or restricted revenue - unauthorized.
- f. Intrafund expenditure reimbursements: Collections from other General Fund departments for the purpose of financing a program or a portion of a program that is the responsibility of the receiving department. Examples of the significant programs are reimbursement for rental of State buildings and federal and State funds received from the Family Independence Agency for operation of the Waiver Program by the Office of Services to the Aging.
- g. Multi-year project balances: Unexpended authorizations for work projects and capital outlay projects that are carried forward to subsequent fiscal years for the completion of the projects.
- h. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered in the old fiscal year but not received by fiscal

year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.

- i. Restricted revenue - authorized: Revenues that, by statute or the State Constitution, are restricted for use to a particular department program or activity. Generally, these revenues may be expended upon receipt without additional legislative authorization.
- j. Restricted revenue - not authorized: Revenues that, by statute, are restricted for use to a particular department program or activity. However, the restricted revenue needs to be authorized by an annual legislative appropriation before it can be expended. Examples of significant carry forwards of this type are amounts designated for employee severance pay and amounts collected to operate the State's accounting system.
- k. Balances lapsed: Department authorizations that were not expended or carried forward at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year.

Operating grants to State colleges and universities are included as part of DMB for the first time in the schedule of General Fund sources and disposition of authorizations. Appropriations and expenditures totaled \$1,559 million and \$1,495 million for fiscal years 1995-96 and 1994-95, respectively. Although DMB made these operating grant payments in previous fiscal years, the amounts are now included as part of DMB because of changes in the State's accounting system.

Expenditures and operating transfers out, presented in the accompanying schedule of general fund sources and disposition of authorizations, include transfers from the General Fund to the Counter-Cyclical Budget and Economic Stabilization Fund. Act 158, P.A. 1995, and Act 288, P.A. 1994, provided for transferring the unrestricted fund balance of the General Fund. These transfers totaled \$91 million and \$320 million for fiscal years 1995-96 and 1994-95, respectively.

Note 5 Expenditure Credits

Expenditures recorded in the State Building Authority Advance Financing Fund for the construction of buildings are substantially offset by expenditure credits.

These expenditure credits were reimbursements of construction costs by colleges, universities, and SBA that were recorded in the same fiscal year as the related expenditures. Reimbursements not recorded in the same fiscal year are recorded as revenue. Recording expenditure credits is necessary to avoid overstating expenditures within the *SOMCAFR* since many of the reimbursing entities are included in the State's reporting entity. The following table summarizes the amounts for the fiscal years ended September 30 (in thousands):

	<u>1996</u>	<u>1995</u>
Total expenditures	\$333,360	\$228,185
Expenditure credits	<u>(251,980)</u>	<u>(136,785)</u>
Net Expenditures	<u>\$ 81,380</u>	<u>\$ 91,400</u>

Note 6 Revenue Reclassification

The schedule of General Fund revenues and operating transfers has been adjusted for the fiscal year ended September 30, 1995 from the amounts reported in the *SOMCAFR*. Other miscellaneous revenue of \$8.4 million has been reclassified to operating transfers from other funds to correct a misclassification in the *SOMCAFR*. Approval for this reclassification was requested and obtained from the DMB Office of Financial Management.

Note 7 Subsequent Events

Executive Orders 1997-3 and 1997-5 became effective in May 1997. These executive orders transferred all statutory powers, duties, functions and responsibilities of the Michigan Environmental Science Board and the Office of Services to the Aging from DMB to the Department of Environmental Quality and the Department of Community Health, respectively, by a type I transfer. Under a type I transfer, all budgeting, procurement, and related management functions of any transferred department, board, commission, or agency shall be performed under the direction and supervision of the head of the principal department.

Executive Order 1997-3 also transferred the Environmental Administration Division from DMB to the Department of Environmental Quality by a type II transfer. Executive Order 1997-8 transferred the North Complex Security Service from DMB to the Michigan Biologic Products Institute by a type II transfer effective in April 1997. Executive Order 1997-10 transferred the Crime Victim Services Commission from DMB to the Department of Community Health by a type II transfer effective in September 1997. A type II transfer is defined as the transferring of an existing department, board, commission, or agency to a principal department established by the Executive Organization Act of 1965. Any department, board, commission, or agency transferred by a type II transfer under the act shall have all its statutory authority, powers, duties and functions, records, personnel, property, unexpended balances of appropriations, allocations or other funds, including the functions of budgeting and procurement, transferred to that principal department.

SUPPLEMENTAL FINANCIAL SCHEDULES

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Revenues and Operating Transfers by Agency
Fiscal Year Ended September 30, 1996
(In Thousands)

	<u>DMB Administration</u>	<u>Office of Services to the Aging</u>	<u>DMB Capital Outlay</u>
REVENUES			
Federal agencies	\$ 17,215	\$ 38,003	\$ 5,467
Local agencies:			
Third party reimbursement of interest costs			3,425
Other	33		
Services	2,305		
Miscellaneous:			
Court fines, fees, and assessments	3,881		
State agencies' office rentals	10,093		1,520
Other	<u>4,474</u>	<u>4,386</u>	<u>6,736</u>
Total Revenue	<u>\$ 38,002</u>	<u>\$ 42,389</u>	<u>\$ 17,149</u>
OPERATING TRANSFERS			
Operating transfers from other funds	<u>\$ 5,301</u>	<u>\$ 1,266</u>	<u>\$ 3,783</u>
Total Operating Transfers	<u>\$ 5,301</u>	<u>\$ 1,266</u>	<u>\$ 3,783</u>
Total Revenues and Operating Transfers	<u><u>\$ 43,303</u></u>	<u><u>\$ 43,654</u></u>	<u><u>\$ 20,932</u></u>

* Administered by the Office of Financial Management.

<u>Colleges and Universities</u>	<u>Colleges and Universities Capital Outlay</u>	<u>Interagency and Other Statewide Adjustments *</u>	<u>Total</u>
\$	\$	\$	\$ 60,686
			3,425
			33
			2,305
			3,881
			11,613
<u>155</u>	<u>77</u>	<u>1,723</u>	<u>17,552</u>
<u>\$ 155</u>	<u>\$ 77</u>	<u>\$ 1,723</u>	<u>\$ 99,495</u>
<u>\$</u>	<u>\$ 3,000</u>	<u>\$ (493)</u>	<u>\$ 12,857</u>
<u>\$ 0</u>	<u>\$ 3,000</u>	<u>\$ (493)</u>	<u>\$ 12,857</u>
<u><u>\$ 155</u></u>	<u><u>\$ 3,077</u></u>	<u><u>\$ 1,231</u></u>	<u><u>\$ 112,353</u></u>

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Revenues and Operating Transfers by Agency
Fiscal Year Ended September 30, 1995
(In Thousands)

	<u>DMB Administration</u>	<u>Office of Services to the Aging</u>	<u>DMB Capital Outlay</u>
REVENUES			
Federal agencies	\$ 15,369	\$ 38,383	\$ 4,653
Local agencies:			
Third party reimbursement of interest costs	4,203		
Other	29		
Services	1,896		
Miscellaneous:			
Court fines, fees, and assessments	3,883		
State agencies' office rentals	7,807		2,000
Other	<u>9,965</u>	<u>4,987</u>	<u>1,604</u>
Total Revenue	<u>\$ 43,152</u>	<u>\$ 43,370</u>	<u>\$ 8,257</u>
OPERATING TRANSFERS			
Operating transfers from other funds	<u>\$ 10,672</u>	<u>\$ 152</u>	<u>\$</u>
Total Operating Transfers	<u>\$ 10,672</u>	<u>\$ 152</u>	<u>\$ 0</u>
Total Revenue and Operating Transfers	<u><u>\$ 53,824</u></u>	<u><u>\$ 43,521</u></u>	<u><u>\$ 8,257</u></u>

* Administered by the Office of Financial Management.

<u>Colleges and Universities</u>	<u>Interagency and Other Statewide Adjustments *</u>	<u>Total</u>
\$	\$	\$ 58,405
		4,203
		29
		1,896
		3,883
		9,807
<u>169</u>	<u>2,841</u>	<u>16,725</u>
<u>\$ 169</u>	<u>\$ 2,841</u>	<u>\$ 94,948</u>
<u>\$</u>	<u>\$ 90,375</u>	<u>\$ 101,198</u>
<u>\$ 0</u>	<u>\$ 90,375</u>	<u>\$ 101,198</u>
<u><u>\$ 169</u></u>	<u><u>\$ 93,216</u></u>	<u><u>\$ 198,987</u></u>

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Sources and Disposition of Authorizations by Agency
Fiscal Year Ended September 30, 1996
(In Thousands)

	<u>DMB Administration</u>	<u>Office of Services to the Aging</u>	<u>DMB Capital Outlay</u>
SOURCES OF AUTHORIZATIONS			
General purpose appropriations	\$ 64,686	\$ 24,377	\$ 173,332
Budgetary transfers in (out)			3,808
Balances carried forward	31,633	32	59,089
Restricted financing sources	89,089	70,700	15,024
Less: Intrafund expenditure reimbursements	<u>(47,933)</u>	<u>(27,882)</u>	
 Total	 <u>\$ 137,475</u>	 <u>\$ 67,227</u>	 <u>\$ 251,253</u>
DISPOSITION OF AUTHORIZATIONS			
College and university operating grants	\$	\$	\$
Expenditures and operating transfers out	141,213	94,050	173,849
Less: Intrafund expenditure reimbursements	(47,933)	(27,882)	
Balances carried forward:			
Multi-year project balances	10,000		45,409
Encumbrances	6,057	993	
Restricted revenue - authorized	6		
Restricted revenue - not authorized	27,221		11,904
Balances lapsed	<u>911</u>	<u>66</u>	<u>20,091</u>
 Total	 <u>\$ 137,475</u>	 <u>\$ 67,227</u>	 <u>\$ 251,253</u>

* Administered by the Office of Financial Management.

<u>Colleges and Universities</u>	<u>Colleges and Universities Capital Outlay</u>	<u>Interagency and Other Statewide Adjustments *</u>	<u>Total</u>
\$ 1,558,628	\$ 3,500	\$ 91,334	\$ 1,915,857
200	(1)		4,007
155	29,041		119,950
155	2,888	101	177,957
	112		(75,703)
<u>\$ 1,559,138</u>	<u>\$ 35,540</u>	<u>\$ 91,435</u>	<u>\$ 2,142,068</u>
 \$ 1,559,138	 \$	 \$	 \$ 1,559,138
	26,165	91,333	526,610
	112		(75,703)
	9,263		64,672
			7,050
			6
		101	39,226
		1	21,069
<u>\$ 1,559,138</u>	<u>\$ 35,540</u>	<u>\$ 91,435</u>	<u>\$ 2,142,068</u>

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Sources and Disposition of Authorizations by Agency
Fiscal Year Ended September 30, 1995
(In Thousands)

	DMB Administration	Office of Services to the Aging	DMB Capital Outlay
SOURCES OF AUTHORIZATIONS			
General purpose appropriations	\$ 193,570	\$ 22,847	\$ 9,393
Balances carried forward	33,580		56,424
Restricted revenue and operating transfers in	49,831	43,676	12,398
Budgetary transfers in (out)			141
	<u>276,981</u>	<u>66,523</u>	<u>78,356</u>
Total	\$ 276,981	\$ 66,523	\$ 78,356
DISPOSITION OF AUTHORIZATIONS			
College and university operating grants	\$	\$	\$
Expenditures and operating transfers out	238,371	66,480	20,885
Encumbrances	239	32	
Work projects carried forward	1,967		
Restricted revenue carried forward	27,487		9,111
Capital outlay carried forward	2,000		46,655
Balances lapsed	6,989	11	1,705
Overexpended	(71)		
	<u>276,981</u>	<u>66,523</u>	<u>78,356</u>
Total	\$ 276,981	\$ 66,523	\$ 78,356

* Administered by the Office of Financial Management.

Colleges and Universities	Colleges and Universities Capital Outlay	Interagency and Other Statewide Adjustments *	Total
\$ 1,494,665 310	\$ 22,964 6,563 146	\$ 320,139	\$ 2,063,578 96,878 106,052 141
<u>\$ 1,494,975</u>	<u>\$ 29,674</u>	<u>\$ 320,139</u>	<u>\$ 2,266,649</u>
\$ 1,494,921	\$ 478 155 29,041 1	\$ 320,139	\$ 1,494,921 646,352 270 2,122 36,598 77,697 8,760 (71)
<u>\$ 1,494,975</u>	<u>\$ 29,674</u>	<u>\$ 320,139</u>	<u>\$ 2,266,649</u>

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Assets by Agency
As of September 30, 1996
(In Thousands)

	<u>DMB Administration</u>	<u>Office of Services to the Aging</u>	<u>DMB Capital Outlay</u>
ASSETS			
Current Assets:			
Amounts due from other funds	\$ 258		\$ 83,694
Amounts due from federal agencies	\$ 6,577	\$ 2,843	\$ 971
Inventories	\$ 645		
Other current assets	\$ 1,407	\$ 91	\$ 282

The amounts presented include only the assets for which DMB is directly responsible. The schedule excludes other assets which are controlled and accounted for centrally by the State, such as equity in Common Cash and cash in transit.

* Administered by the Office of Financial Management.

<u>Colleges and Universities</u>	<u>Colleges and Universities Capital Outlay</u>	<u>Interagency and Other Statewide Adjustments *</u>	<u>Total</u>
	\$ 19,168	\$ 30,117	\$ 133,237
			\$ 10,391
			\$ 645
		\$ 44	\$ 1,824

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Assets by Agency
As of September 30, 1995
(In Thousands)

	<u>DMB Administration</u>	<u>Office of Services to the Aging</u>	<u>DMB Capital Outlay</u>
ASSETS			
Current Assets:			
Amounts due from other funds	\$ 121		\$ 66,955
Amounts due from component units		\$ 46	
Amounts due from federal agencies	\$ 4,490	\$ 3,844	\$ 4,653
Inventories	\$ 493		
Other current assets	\$ 1,528	\$ 9	

The amounts presented include only the assets for which DMB is directly responsible. The schedule excludes other assets which are controlled and accounted for centrally by the State, such as equity in Common Cash and cash in transit.

* Administered by the Office of Financial Management.

<u>Colleges and Universities</u>	<u>Colleges and Universities Capital Outlay</u>	<u>Interagency and Other Statewide Adjustments *</u>	<u>Total</u>
	\$ 14,294	\$ 90,329	\$ 171,699
			\$ 46
			\$ 12,987
			\$ 493
\$ 96	\$ 20	\$ 46	\$ 1,699

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Liabilities by Agency
As of September 30, 1996
(In Thousands)

	<u>DMB Administration</u>	<u>Office of Services to the Aging</u>	<u>DMB Capital Outlay</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and other liabilities	\$ 9,262	\$ 1,896	\$ 1,971
Amounts due to other funds	\$ 15		
Deferred revenue	\$ 866	\$ 743	

The amounts presented include only the liabilities for which DMB is directly responsible. The schedule excludes other liabilities which are controlled and accounted for centrally by the State, such as warrants outstanding.

* Administered by the Office of Financial Management.

<u>Colleges and Universities</u>	<u>Colleges and Universities Capital Outlay</u>	<u>Interagency and Other Statewide Adjustments *</u>	<u>Total</u>
		\$ 874	\$ 14,003
		\$ 684,931	\$ 684,946
			\$ 1,609

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of General Fund Liabilities by Agency
As of September 30, 1995
(In Thousands)

	<u>DMB Administration</u>	<u>Office of Services to the Aging</u>	<u>DMB Capital Outlay</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and other liabilities	\$ 7,654	\$ 2,487	\$ 8
Amounts due to other funds	\$ 7		
Deferred revenue	\$ 855	\$ 720	

The amounts presented include only the liabilities for which DMB is directly responsible. The schedule excludes other liabilities which are controlled and accounted for centrally by the State, such as warrants outstanding.

* Administered by the Office of Financial Management.

<u>Colleges and Universities</u>	<u>Colleges and Universities Capital Outlay</u>	<u>Interagency and Other Statewide Adjustments *</u>	<u>Total</u>
		\$ (16,249)	\$ (6,100)
		\$ 253,535	\$ 253,542
			\$ 1,575

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of Federal Financial Assistance
Fiscal Years Ended September 30, 1996 and September 30, 1995

Grantor Agency/ Federal Assistance Program Title	Grant/ Contract Number	CFDA Program Number	*	Award Period	Amount of Award
Financial Assistance					
<u>U. S. Department of Justice</u>					
Crime Victims Assistance	93VAGX0026	16.575	**	10/01/92-09/30/94	\$ 2,256,341
Crime Victims Assistance	94VAGX0026	16.575	**	10/01/93-09/30/95	\$ 2,131,903
Crime Victims Assistance	95VAGX0026	16.575	**	10/01/94-09/30/96	\$ 2,681,000
Crime Victims Assistance	96VAGX0026	16.575	**	10/01/95-09/30/97	\$ 4,372,000
Total Crime Victims Assistance					
Crime Victims Compensation	94VCGX0026	16.576		10/01/93-09/30/95	\$ 510,000
Crime Victims Compensation	95VCGX0026	16.576		10/01/94-09/30/96	\$ 657,000
Crime Victims Compensation	95VCGX0026	16.576		10/01/94-09/30/96	\$ 665,000
Total Crime Victims Compensation					
Drug Control and System Improvement - Byrne Formula Grant Program	91DBCX0026	16.579	**	10/01/90-09/30/95	\$ 14,490,690
Drug Control and System Improvement - Byrne Formula Grant Program	92DBCX0026	16.579	**	10/01/91-09/30/95	\$ 14,485,000
Drug Control and System Improvement - Byrne Formula Grant Program	93DBCX0026	16.579	**	10/01/92-09/30/95	\$ 14,407,000
Drug Control and System Improvement - Byrne Formula Grant Program	94DBCX0026	16.579	**	10/01/93-09/30/97	\$ 12,252,809
Drug Control and System Improvement - Byrne Formula Grant Program	95DBVX0026	16.579	**	10/01/94-09/30/97	\$ 15,207,766
Drug Control and System Improvement - Byrne Formula Grant Program	96DBMU0026	16.579	**	10/01/95-09/30/98	\$ 15,859,000
Total Drug Control and System Improvement - Byrne Formula Grant Program					
Crime Victims Assistance/Discretionary Grants	93VRGX0826	16.582		04/01/93-09/30/94	\$ 22,549
Crime Victims Assistance/Discretionary Grants	94VRGX0826	16.582		04/01/94-09/30/95	\$ 23,892
Crime Victims Assistance/Discretionary Grants	95VRGX0826	16.582		04/01/95-09/30/96	\$ 25,500
Crime Victims Assistance/Discretionary Grants	96VRGX0826	16.582		04/01/96-09/30/97	\$ 25,500
Total Crime Victims Assistance/Discretionary Grants					
Total U. S. Department of Justice					
<u>U. S. Department of Health and Human Services</u>					
Special Programs for the Aging - Title VII Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	0194AAMI1716	93.041		10/01/93-09/30/94	\$ 159,946
Special Programs for the Aging - Title VII Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	0195AAMI1716	93.041		10/01/94-09/30/95	\$ 162,491
Special Programs for the Aging - Title VII Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	0196AAMI1716	93.041		10/01/95-09/30/96	\$ 161,653
Total Special Programs for the Aging - Title VII Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation					
Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	0195AAMI1715	93.042		10/01/94-09/30/95	\$ 152,773
Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	0196AAMI1715	93.042		10/01/95-09/30/96	\$ 151,985
Total Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman Services for Older Individuals					

This schedule continued on next page.

Amounts Transferred and Expended - Fiscal Year 1995-96				Amounts Transferred and Expended - Fiscal Year 1994-95			
Transferred to Other State Agencies	Directly Expended by Department	Distributed to Subrecipients	Total	Transferred to Other State Agencies	Directly Expended by Department	Distributed to Subrecipients	Total
\$	\$	\$ (10,119)	\$ (10,119)	\$	\$	\$ (4,524)	\$ (4,524)
		(30,527)	(30,527)			1,654,226	1,654,226
		2,080,073	2,080,073		19,926	563,082	583,008
	28,288	870,005	898,293				
\$ 0	\$ 28,288	\$ 2,909,432	\$ 2,937,720	\$ 0	\$ 19,926	\$ 2,212,784	\$ 2,232,710
\$	\$	\$	\$	\$	\$	\$ 43,000	\$ 43,000
					32,850	624,150	657,000
	33,250	73,792	107,042				
\$ 0	\$ 33,250	\$ 73,792	\$ 107,042	\$ 0	\$ 32,850	\$ 667,150	\$ 700,000
\$ 18,663	\$	\$	\$ 18,663	\$	\$	\$ 89,816	\$ 89,816
73,577		420,862	494,439	465,288	226,146	661,826	1,353,260
186,220		790,407	976,627	1,396,533	110,600	610,551	2,117,684
1,174,094	320,347	2,959,737	4,454,178	772,710	29,653	6,537,656	7,340,019
1,589,338	5,860	6,864,659	8,459,858	600,000			600,000
\$ 3,041,892	\$ 326,207	\$ 11,035,665	\$ 14,403,764	\$ 3,234,531	\$ 366,399	\$ 7,899,849	\$ 11,500,779
\$	\$	\$	\$	\$	\$	\$ (549)	\$ (549)
		2,103	2,103			15,845	15,845
		18,214	18,214			6,208	6,208
		5,957	5,957				
\$ 0	\$ 0	\$ 26,274	\$ 26,274	\$ 0	\$ 0	\$ 21,504	\$ 21,504
\$ 3,041,892	\$ 387,745	\$ 14,045,163	\$ 17,474,800	\$ 3,234,531	\$ 419,175	\$ 10,801,287	\$ 14,454,993
\$	\$	\$	\$	\$	\$	\$ 10,524	\$ 10,524
		37,046	37,046			125,445	125,445
		47,095	47,095				
\$ 0	\$ 0	\$ 84,141	\$ 84,141	\$ 0	\$ 0	\$ 135,969	\$ 135,969
\$	\$	\$ 54,073	\$ 54,073	\$	\$	\$ 98,700	\$ 98,700
		97,912	97,912				
\$ 0	\$ 0	\$ 151,985	\$ 151,985	\$ 0	\$ 0	\$ 98,700	\$ 98,700

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of Federal Financial Assistance
Fiscal Years Ended September 30, 1996 and September 30, 1995

Continued

Grantor Agency/ Federal Assistance Program Title	Grant/ Contract Number	CFDA Program Number	*	Award Period	Amount of Award
Special Programs for the Aging - Title III Part F - Disease Prevention and Health Promotion Services	0194AAMI1717	93.043		10/01/93-09/30/94	\$ 586,106
Special Programs for the Aging - Title III Part F - Disease Prevention and Health Promotion Services	0195AAMI1717	93.043		10/01/94-09/30/95	\$ 583,145
Special Programs for the Aging - Title III Part F - Disease Prevention and Health Promotion Services	0196AAMI1717	93.043		10/01/95-09/30/96	\$ 533,694
Total Special Programs for the Aging - Title III Part F - Disease Prevention and Health Promotion Services					
Special Programs for the Aging - Title III Part B - Grants for Supportive Services and Senior Centers	0194AAMI1320	93.044	**	10/01/93-09/30/94	\$ 10,750,435
Special Programs for the Aging - Title III Part B - Grants for Supportive Services and Senior Centers	0195AAMI1320	93.044	**	10/01/94-09/30/95	\$ 10,974,742
Special Programs for the Aging - Title III Part B - Grants for Supportive Services and Senior Centers	0196AAMI1320	93.044	**	10/01/95-09/30/96	\$ 10,202,612
Total Special Programs for the Aging - Title III Part B - Grants for Supportive Services and Senior Centers					
Special Programs for the Aging - Title III Part C - Nutrition Services	0194AAMI1712	93.045	**	10/01/93-09/30/94	\$ 10,365,336
Special Programs for the Aging - Title III Part C - Nutrition Services	0195AAMI1712	93.045	**	10/01/94-09/30/95	\$ 10,049,754
Special Programs for the Aging - Title III Part C - Nutrition Services	0196AAMI1712	93.045	**	10/01/95-09/30/96	\$ 9,963,054
Special Programs for the Aging - Title III Part C - Nutrition Services	0194AAMI1713	93.045	**	10/01/93-09/30/94	\$ 5,589,228
Special Programs for the Aging - Title III Part C - Nutrition Services	0195AAMI1713	93.045	**	10/01/94-09/30/95	\$ 5,687,402
Special Programs for the Aging - Title III Part C - Nutrition Services	0196AAMI1713	93.045	**	10/01/95-09/30/96	\$ 6,019,158
Total Special Programs for the Aging - Title III Part C - Nutrition Services					
Special Programs for the Aging - Title III Part D - In-Home Services for Frail Older Individuals	0194AAMI1714	93.046		10/01/93-09/30/94	\$ 243,465
Special Programs for the Aging - Title III Part D - In-Home Services for Frail Older Individuals	0195AAMI1714	93.046		10/01/94-09/30/95	\$ 318,082
Special Programs for the Aging - Title III Part D - In-Home Services for Frail Older Individuals	0196AAMI1714	93.046		10/01/95-09/30/96	\$ 316,441
Total Special Programs for the Aging - Title III Part D - In-Home Services for Frail Older Individuals					
Special Programs for the Aging - Title IV - Training, Research, and Discretionary Projects and Programs	05AM3666/03	93.048		08/01/93-10/31/94	\$ 50,000
Special Programs for the Aging - Title IV - Training, Research, and Discretionary Projects and Programs	90AM0683/01	93.048		09/30/93-02/28/95	\$ 75,000
Special Programs for the Aging - Title IV - Training, Research, and Discretionary Projects and Programs	90AM0800/01	93.048		07/01/94-12/31/95	\$ 45,000
Total Special Programs for the Aging - Title IV - Training, Research, and Discretionary Projects and Programs					

This schedule continued on next page.

Amounts Transferred and Expended - Fiscal Year 1995-96				Amounts Transferred and Expended - Fiscal Year 1994-95			
Transferred to Other State Agencies	Directly Expended by Department	Distributed to Subrecipients	Total	Transferred to Other State Agencies	Directly Expended by Department	Distributed to Subrecipients	Total
\$	\$	\$	\$	\$	\$	\$ 286,203	\$ 286,203
		144,314	144,314			438,831	438,831
		292,261	292,261				
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 436,575</u>	<u>\$ 436,575</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 725,034</u>	<u>\$ 725,034</u>
\$	\$	\$	\$	\$	\$ 41,400	\$ 400,000	\$ 441,400
	39,700	509,596	549,296		505,854	9,919,592	10,425,446
	463,452	9,352,940	9,816,392				
<u>\$ 0</u>	<u>\$ 503,152</u>	<u>\$ 9,862,536</u>	<u>\$ 10,365,688</u>	<u>\$ 0</u>	<u>\$ 547,254</u>	<u>\$ 10,319,592</u>	<u>\$ 10,866,846</u>
\$	\$	\$	\$	\$	\$	\$ 63,060	\$ 63,060
		5,069	5,069		667,749	9,376,936	10,044,685
	647,310	9,115,322	9,762,632			287,626	287,626
		25,012	25,012		167,353	5,495,037	5,662,390
	186,986	5,745,584	5,932,570				
<u>\$ 0</u>	<u>\$ 834,296</u>	<u>\$ 14,890,987</u>	<u>\$ 15,725,283</u>	<u>\$ 0</u>	<u>\$ 835,102</u>	<u>\$ 15,222,659</u>	<u>\$ 16,057,761</u>
\$	\$	\$	\$	\$	\$	\$ 29,150	\$ 29,150
		14,921	14,921			303,161	303,161
		281,251	281,251				
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 296,172</u>	<u>\$ 296,172</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 332,311</u>	<u>\$ 332,311</u>
\$	\$	\$	\$	\$	\$ 1,275	\$	\$ 1,275
					452		452
	23,156		23,156		21,844		21,844
<u>\$ 0</u>	<u>\$ 23,156</u>	<u>\$ 0</u>	<u>\$ 23,156</u>	<u>\$ 0</u>	<u>\$ 23,571</u>	<u>\$ 0</u>	<u>\$ 23,571</u>

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of Federal Financial Assistance
Fiscal Years Ended September 30, 1996 and September 30, 1995

Continued

Grantor Agency/ Federal Assistance Program Title	Grant/ Contract Number	CFDA Program Number	*	Award Period	Amount of Award	
Special Programs for the Aging - Title VII Chapter 6 - Allotments for Vulnerable Elder Rights Protection Programs	0194AAMI1718	93.049		10/01/93-09/30/94	\$ 68,824	
Special Programs for the Aging - Title VII Chapter 6 - Allotments for Vulnerable Elder Rights Protection Programs	0195AAMI1718	93.049		10/01/94-09/30/95	\$ 67,854	
Total Special Programs for the Aging - Title VII Chapter 6 - Allotments for Vulnerable Elder Rights Protection Programs						
White House Conference on Aging	90ST0013/01	93.050		08/01/94-05/31/95	\$ 14,299	
Medical Assistance Program - Targeted	05-9305-MI-5028	93.778	**	10/01/92-09/30/93	\$ 996,881	
Medical Assistance Program - Targeted	05-9405-MI-5028	93.778	**	10/01/93-09/30/94	\$ 477,898	
Medical Assistance Program - Targeted	05-9505-MI-5028	93.778	**	10/01/94-09/30/95	\$ 565,667	
Medical Assistance Program - Targeted	05-9605-MI-5028	93.778	**	10/01/95-09/30/96	\$ 824,692	
Medical Assistance Program - Targeted Administration	05-9505-MI-5048	93.778	**	10/01/94-09/30/95	\$ 222,315	
Medical Assistance Program - Targeted Administration	05-9605-MI-5048	93.778	**	10/01/95-09/30/96	\$ 350,254	
Medical Assistance Program - Waiver	05-9505-MI-5028	93.778	**	10/01/94-09/30/95	\$ 9,155,270	(a)
Medical Assistance Program - Waiver	05-9605-MI-5028	93.778	**	10/01/95-09/30/96	\$ 10,383,788	(a)
Medical Assistance Program - Waiver Administration	05-9505-MI-5048	93.778	**	10/01/94-09/30/95	\$ 2,833,543	
Medical Assistance Program - Waiver Administration	05-9605-MI-5048	93.778	**	10/01/95-09/30/96	\$ 3,592,766	
Total Medical Assistance Program						
Health Care Financing Research, Demonstrations, and Evaluations	11-P-90180/5-02	93.779		09/28/93-09/27/94	\$ 220,048	
Health Care Financing Research, Demonstrations, and Evaluations	11-P-90180/5-03	93.779		09/28/94-09/27/95	\$ 227,179	
Health Care Financing Research, Demonstrations, and Evaluations	11-P-90180/5-04	93.779		09/28/95-09/27/96	\$ 355,490	
Health Care Financing Research, Demonstrations, and Evaluations	11-P-90180/5-05	93.779		09/28/96-09/27/97	\$ 90,529	
Total Health Care Financing Research, Demonstration, and Evaluations						
Total U. S. Department of Health and Human Services						
<u>U.S. Department of Agriculture</u>						
Food Distribution	Fiscal Year 1993-94	10.550	**	10/01/93-09/30/94	\$ 6,670,079	
Food Distribution	Fiscal Year 1994-95	10.550	**	10/01/94-09/30/95	\$ 6,561,782	
Food Distribution	Fiscal Year 1995-96	10.550	**	10/01/95-09/30/96	\$ 6,659,464	
Total Food Distribution						
Total U.S. Department of Agriculture						
<u>U.S. Department of Labor</u>						
Senior Community Service Employment Program	99-1-2696-11-073-02	17.235	**	07/01/91-06/30/92	\$ 2,590,775	
Senior Community Service Employment Program	D-3764-2-00-81-55	17.235	**	07/01/92-06/30/93	\$ 2,617,266	
Senior Community Service Employment Program	D-4200-3-00-81-55	17.235	**	07/01/93-06/30/94	\$ 2,669,097	
Senior Community Service Employment Program	D-4517-4-00-81-55	17.235	**	07/01/94-06/30/95	\$ 2,760,152	
Senior Community Service Employment Program	D-5068-5-00-81-55	17.235	**	07/01/95-06/30/96	\$ 2,648,287	
Senior Community Service Employment Program	D-5788-6-00-81-55	17.235	**	07/01/96-06/30/97	\$ 2,632,619	
Total Senior Community Service Employment Program						
Total U.S. Department of Labor						

This schedule continued on next page.

Amounts Transferred and Expended - Fiscal Year 1995-96				Amounts Transferred and Expended - Fiscal Year 1994-95			
Transferred to Other State Agencies	Directly Expended by Department	Distributed to Subrecipients	Total	Transferred to Other State Agencies	Directly Expended by Department	Distributed to Subrecipients	Total
\$	\$	\$	\$	\$	\$	\$ 29,532	\$ 29,532
		16,106	16,106			51,748	51,748
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,106</u>	<u>\$ 16,106</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 81,280</u>	<u>\$ 81,280</u>
\$	\$	\$	\$	\$	\$ 14,299	\$	\$ 14,299
\$	\$	\$	\$	\$	\$	\$ 87,659	\$ 87,659
		102,549	102,549			375,348	375,348
		565,667	565,667				
		168,907	168,907				
	25,224		25,224		197,091		197,091
	350,254		350,254				
		10,383,788	10,383,788			9,155,240	9,155,240
		3,592,766	3,592,766			2,833,543	2,833,543
<u>\$ 0</u>	<u>\$ 375,478</u>	<u>\$ 14,813,678</u>	<u>\$ 15,189,156</u>	<u>\$ 0</u>	<u>\$ 197,091</u>	<u>\$ 12,451,791</u>	<u>\$ 12,648,882</u>
\$	\$	\$	\$	\$	\$	\$ 2,824	\$ 2,824
		5,178	5,178		1,000	221,001	222,001
	1,691	281,861	283,552				
<u>\$ 0</u>	<u>\$ 1,691</u>	<u>\$ 287,039</u>	<u>\$ 288,730</u>	<u>\$ 0</u>	<u>\$ 1,000</u>	<u>\$ 223,825</u>	<u>\$ 224,825</u>
<u>\$ 0</u>	<u>\$ 1,737,773</u>	<u>\$ 40,839,219</u>	<u>\$ 42,576,992</u>	<u>\$ 0</u>	<u>\$ 1,618,317</u>	<u>\$ 39,591,161</u>	<u>\$ 41,209,478</u>
\$	\$	\$	\$	\$	\$	\$ 114,341	\$ 114,341
		239,277	239,277			6,321,602	6,321,602
		6,659,464	6,659,464				
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,898,741</u>	<u>\$ 6,898,741</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,435,943</u>	<u>\$ 6,435,943</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,898,741</u>	<u>\$ 6,898,741</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,435,943</u>	<u>\$ 6,435,943</u>
\$	\$	\$	\$	\$	\$ 1,134	\$	\$ 1,134
					1,067		1,067
					5,058	(34,915)	(29,857)
		100,468	100,468		159,472	1,891,606	2,051,078
	142,531	1,617,136	1,759,667		40,482	661,149	701,631
	46,665	596,842	643,507				
<u>\$ 0</u>	<u>\$ 189,196</u>	<u>\$ 2,314,446</u>	<u>\$ 2,503,642</u>	<u>\$ 0</u>	<u>\$ 207,213</u>	<u>\$ 2,517,840</u>	<u>\$ 2,725,053</u>
<u>\$ 0</u>	<u>\$ 189,196</u>	<u>\$ 2,314,446</u>	<u>\$ 2,503,642</u>	<u>\$ 0</u>	<u>\$ 207,213</u>	<u>\$ 2,517,840</u>	<u>\$ 2,725,053</u>

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of Federal Financial Assistance
Fiscal Years Ended September 30, 1996 and September 30, 1995

Continued

Grantor Agency/ Federal Assistance Program Title	Grant/ Contract Number	CFDA Program Number	*	Award Period	Amount of Award	
<u>U.S. Department of Education</u>						
Safe and Drug-Free Schools and Communities - State Grants	S186A10082	84.186	**	07/01/91-09/30/93	\$	3,728,368
Safe and Drug-Free Schools and Communities - State Grants	S186A20082	84.186	**	07/01/92-09/30/94	\$	3,729,202
Safe and Drug-Free Schools and Communities - State Grants	S186A30082	84.186	**	07/01/93-09/30/94	\$	3,703,175
Safe and Drug-Free Schools and Communities - State Grants	S186A40082	84.186	**	07/01/94-09/30/95	\$	3,340,455
Safe and Drug-Free Schools and Communities - State Grants	S186A50082	84.186	**	07/01/95-09/30/96	\$	3,404,474
Safe and Drug-Free Schools and Communities - State Grants	S186A60082	84.186	**	07/01/96-09/30/97	\$	3,447,384
Safe and Drug-Free Schools and Communities - State Grants	S186A30023 (b)	84.186	**	07/01/93-09/30/95	\$	22,665
Safe and Drug-Free Schools and Communities - State Grants	S186A40023 (b)	84.186	**	07/01/94-09/30/96	\$	178,878
Safe and Drug-Free Schools and Communities - State Grants	S186A50023 (b)	84.186	**	07/01/94-09/30/96	\$	544,716
Safe and Drug-Free Schools and Communities - State Grants - TA	S186A50023 (b)	84.186	**	07/01/94-09/30/96	\$	364,729
Safe and Drug-Free Schools and Communities - State Grants - TA	S186A60023 (b)	84.186	**	07/01/94-09/30/96	\$	680,894
Total Safe and Drug-Free Schools and Communities - State Grants						
Total U.S. Department of Education						
<u>U.S. Department of Defense</u>						
Other Federal Financial Assistance:						
Multi-Purpose Range Complex, Camp Grayling	NGB20-94-C-0001	N/A	**	10/01/94-09/30/95	\$	8,284,413
Special Maintenance	DAHA20-95-2-1001	N/A		10/01/94-09/30/96	\$	7,869,100
Total U.S. Department of Defense						
Total Financial Assistance						
<u>Nonfinancial Assistance</u>						
<u>General Service Administration</u>						
Donation of Federal Surplus Personal Property	N/A	39.003	**	10/01/94-09/30/95	\$	21,516,227 (c)
Donation of Federal Surplus Personal Property	N/A	39.003	**	10/01/95-09/30/96	\$	26,835,455 (c)
Total Donation of Federal Surplus Personal Property						
Total General Service Administration						
Total Nonfinancial Assistance						
Total Federal Assistance						

* CFDA is defined as Catalog of Federal Domestic Assistance.

** Major program, as defined by the Single Audit Act.

- (a) Federal revenue for this program is collected by the Family Independence Agency. The Department of Management and Budget receives funding by recording expenditure credits rather than federal revenue.
- (b) These grants are awarded to the Michigan Department of Education but are administered by the Office of Drug Control Policy, Department of Management and Budget. The amount of the award is the budgeted amount.
- (c) For Donation of Federal Surplus Personal Property, the amount of the award is the acquisition value of property on hand at the beginning of the fiscal year plus the acquisition value of property received. These values do not include service charges that are the basis for the sale price of inventory items. The amount distributed to subrecipients is the original federal acquisition cost of the property.

Amounts Transferred and Expended - Fiscal Year 1995-96				Amounts Transferred and Expended - Fiscal Year 1994-95			
Transferred to Other State Agencies	Directly Expended by Department	Distributed to Subrecipients	Total	Transferred to Other State Agencies	Directly Expended by Department	Distributed to Subrecipients	Total
\$	\$	\$	\$	\$	\$	\$	\$
		(10,660)	(10,660)			26,753	26,753
		137,905	137,905			1,183	1,183
		673,322	673,322	3	25,959	1,333,124	1,359,086
	107,037	1,236,003	1,343,040	17,930	93,000	2,194,352	2,305,282
					18,928		18,928
	29,696		29,696		22,665		22,665
	397,322		397,322		149,182		149,182
		243,569	243,569				
		9,222	9,222				
<u>\$ 0</u>	<u>\$ 534,056</u>	<u>\$ 2,289,361</u>	<u>\$ 2,823,416</u>	<u>\$ 17,933</u>	<u>\$ 309,734</u>	<u>\$ 3,555,412</u>	<u>\$ 3,883,079</u>
<u>\$ 0</u>	<u>\$ 534,056</u>	<u>\$ 2,289,361</u>	<u>\$ 2,823,416</u>	<u>\$ 17,933</u>	<u>\$ 309,734</u>	<u>\$ 3,555,412</u>	<u>\$ 3,883,079</u>
\$	\$ 3,755,040	\$	\$ 3,755,040	\$	\$ 4,203,407	\$	\$ 4,203,407
	722,683		722,683		449,924		449,924
<u>\$ 0</u>	<u>\$ 4,477,723</u>	<u>\$ 0</u>	<u>\$ 4,477,723</u>	<u>\$ 0</u>	<u>\$ 4,653,331</u>	<u>\$ 0</u>	<u>\$ 4,653,331</u>
<u>\$ 3,041,892</u>	<u>\$ 7,326,493</u>	<u>\$ 66,386,930</u>	<u>\$ 76,755,314</u>	<u>\$ 3,252,464</u>	<u>\$ 7,207,770</u>	<u>\$ 62,901,643</u>	<u>\$ 73,361,877</u>
\$	\$	\$	\$	\$	\$	\$ 11,545,638	\$ 11,545,638
		16,825,413	16,825,413				
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,825,413</u>	<u>\$ 16,825,413</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,545,638</u>	<u>\$ 11,545,638</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,825,413</u>	<u>\$ 16,825,413</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,545,638</u>	<u>\$ 11,545,638</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,825,413</u>	<u>\$ 16,825,413</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,545,638</u>	<u>\$ 11,545,638</u>
<u>\$ 3,041,892</u>	<u>\$ 7,326,493</u>	<u>\$ 83,212,343</u>	<u>\$ 93,580,728</u>	<u>\$ 3,252,464</u>	<u>\$ 7,207,770</u>	<u>\$ 74,447,281</u>	<u>\$ 84,907,515</u>

SUPPLEMENTAL INFORMATION

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of Questioned Costs
Fiscal Years Ended September 30, 1996 and 1995

<u>Program and Grant/Contract Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
U.S. Department of Defense Multi-Purpose Range Complex Camp Grayling Grant No. NGB20-94-C-0001	Payroll costs charged to the federal agreement were not included in the original contract or any change orders.	\$ 1,600
<hr/>		
<u>U.S. Department of Health and Human Services</u> Special Programs for the Aging - Title III Parts B and C - Grants for Supportive Services and Senior Centers and Nutrition Services CFDA # 93.044 and #93.045 Grant Nos. 0196AAMI1320 0196AAMI1712 0196AAMI1713	Time sheet did not specify the percentage of time spent on each grant. The agency informed us that, after the audit, it corrected all of the time sheets.	5,438
<hr/>		
Medical Assistance Program - Waiver CFDA # 93.778 Grant Nos. 05-9505-MI-5028 05-9505-MI-5048 05-9605-MI-5028 05-9605-MI-5048	Annual waiver and case management certification reviews were not completed as required by the agreement between the Office of Services to the Aging and Medical Services Administration, Department of Community Health.	Not determinable
<hr/>		
<u>U.S. Department of Labor</u> Senior Community Service Employment Program CFDA # 17.235 Grant Nos. D-5068-5-00-81-55 D-5788-6-00-81-55	Time sheet did not specify the percentage of time spent on each grant. The agency informed us that, after the audit, it corrected all of the time sheets.	627
<hr/>		
Total Questioned Costs		<u>\$ 7,665</u>

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of Immaterial Noncompliance
Fiscal Years Ended September 30, 1996 and 1995

<u>Program and Grant/Contract Number</u>	<u>Finding/Noncompliance</u>
<u>U.S. Department of Agriculture</u> Food Distribution CFDA # 10.550	The grant agreement requires that monthly meal count reports be submitted within 30 days after the end of the quarter. Three (75%) of the 4 reports tested were submitted 1 to 8 days after the due date.
<u>U.S. Department of Education</u> Safe and Drug-Free Schools and Communities - State Grants CFDA # 84.186	DMB did not submit monthly reports within 25 days of the periods ended July 31, 1996 and December 31, 1995 for governor discretionary (drug control) grants for grant year 1995. These were submitted 1 to 15 days after the due date.
<u>U.S. Department of Health and Human Services</u> Special Programs for the Aging - Title III CFDA # 93.043 93.044 93.045 93.046	The grant agreement requires that financial status reports be submitted within 30 days after the end of the quarter. Three (75%) of the 4 reports tested were submitted 1 to 15 days after the due date.
<u>U.S. Department of Justice</u> Crime Victims Assistance CFDA # 16.575 Grant Nos. 93VAGX0026 94VAGX0026 95VAGX0026 Drug Control and System Improvement - Byrne Formula Grant Program CFDA # 16.579 Grant Nos. 92DBCX0026 93DBCX0026 93TTCX0026 94DBCX0026 95DBCX0026	DMB did not to submit quarterly reports within 45 days of the period ended March 31, 1996. These were submitted 1 day after the due date. DMB did not submit quarterly reports within 45 days of the periods ended March 31, 1996 and September 30, 1996. These were submitted 1 day after the due date.

DEPARTMENT OF MANAGEMENT AND BUDGET
Schedule of Immaterial Noncompliance
Fiscal Years Ended September 30, 1996 and 1995
Continued

<u>Program and Grant/Contract Number</u>	<u>Finding/Noncompliance</u>
<u>U.S. Department of Labor</u> Senior Community Service Employment Program CFDA # 17.235 Grant Nos. D-4517-4-00-81-55 D-5068-5-00-81-55	The grant agreement requires that quarterly progress reports be submitted within 30 days after the end of each quarter. Three (75%) of the 4 reports tested were submitted 3 days to 4 months after the due date.

CFDA is defined as Catalog of Federal Domestic Assistance.

Note: This schedule reports instances of immaterial noncompliance with laws and regulations which have no associated questioned costs and are not included in the body of our report. All instances of noncompliance that have an associated questioned cost are presented on the schedule of questioned costs.

Glossary of Acronyms and Terms

Aging	Office of Services to the Aging.
CFDA	<i>Catalog of Federal Domestic Assistance.</i>
DMB	Department of Management and Budget.
FACS	Financial Administration and Control System.
financial audit	An audit that is designed to provide reasonable assurance about whether the financial statements and schedules of an audited entity are fairly presented in conformity with generally accepted accounting principles.
HMO's	health maintenance organizations.
internal control structure	The management control environment, accounting system, and control policies and procedures established by management to provide reasonable assurance that resources are safeguarded; that resources that are used in compliance with laws and regulations; and that financial transactions are properly accounted for and reported.
MAIN	Michigan Administrative Information Network.
material noncompliance	Violations of laws and regulations that could have a direct and material effect on major federal financial assistance programs or on financial statement or schedule amounts.
material weakness	A serious reportable condition in which the design or operation of one or more of the internal control structure elements (including management controls) does not reduce to a relatively low level the risk that errors or irregularities,

in amounts that would be material in relation to the financial statements or schedules, would not be prevented or detected.

OAS	Office of Administrative Services.
OMB	federal Office of Management and Budget.
questioned costs	Costs tentatively identified as unallowable, undocumented, unapproved, or unreasonable. These costs are subject to disallowance by the federal government.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in the design or operation of the internal control structure.
SBA	State Building Authority.
SOMCAFR	<i>State of Michigan Comprehensive Annual Financial Report.</i>
subrecipient	A nonfederal entity that receives federal awards through another nonfederal entity to carry out a federal program.
user class	Defines what type of transactions a user has access to in MAIN.